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# The New Paradigm of Russia's International Financial Relations

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## ABSTRACT

The objective of this study is to explore the fundamental features of the emerging international financial framework in Russia, to pinpoint potential risks and central issues in its development. The distinctive characteristics of Russian companies' international trade activities are explored through a comparative and economic-statistical analysis. The identification of risks was done by creating checklists using logical and analytical methods to organize information about the research topic. The risk analysis was based on the Ishikawa method ("fish bone"). The framework of Russia's international financial interactions from 1991 to 2014 was centred on the goal of swiftly integrating the country into the global monetary and financial framework, fully embracing the standards set by the global power, while also acknowledging the increasing reliance on the collective West, which could potentially compromise national interests. The New Paradigm envisions a balanced integration of diverse subsystems and individual components – nations and groups of nations – within a cohesive geographical context. This framework envisions the enhancement of mutually beneficial international collaboration with allied nations and the development of novel settlement and payment systems, which are based on the utilization of national currencies and/or cutting-edge digital instruments.

**Keywords:** Russia; international financial relations; external sanctions; foreign trade; global monetary and financial system; international settlements and payments; national currencies; financial market; digitalisation of financial infrastructure; fragmentation of the global economy; deglobalisation

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## INTRODUCTION

After the global financial and economic crisis of 2008–2009, the previously dominant process of globalization slowed down (slowbalization) [1]. The outbreak of the coronavirus pandemic in early 2020 further fueled protectionism and the emergence of autarkic tendencies. The United States, as the world's leading economic, financial, and military power, continued its unilateral efforts to dictate the rules of international relations, which clashed with the desire of several developing countries to achieve greater independence. Their dissatisfaction with their subordinate role in the modern international financial architecture has become one of the primary causes of rising geopolitical tensions worldwide [2, p. 168]. As a result of this growing conflict, the world economy and global finance<sup>1</sup> have experienced increased regionalization [3, 4] and fragmentation [5–7]. Trends leading to economic deglobalization have gained momentum globally. Governance has become more politicized, and “deglobalization has transitioned from a stage of possibility and virtuality to a stage of reality; subsequently, it quickly moved from being a reality to becoming a central reality” [8].

In its pursuit of financial-economic independence and national sovereignty, Russia has become one of the nations actively opposing the dominance of the United States and its allies [9]. According to the Concept of the Foreign Policy of the Russian Federation, approved by Presidential Decree No. 229<sup>2</sup> on March 31, 2023, Russia's primary strategic partners are now China and India. Additionally, the country's foreign economic activities have shifted focus toward its near-abroad, as well as the East (both Far and Middle East), Africa, and Latin America. This reorientation of foreign economic activity has necessitated a change in Russia's previous

paradigm<sup>3</sup> of international financial relations.<sup>4</sup> Therefore, analyzing the new paradigm of international financial relations — defining its main characteristics, identifying risk factors, and addressing key challenges in its formation — has become a pressing issue.

## FEATURES OF THE POST-SOVIET PARADIGM OF RUSSIA'S INTERNATIONAL FINANCIAL RELATIONS

After the dissolution of the USSR in December 1991, Russia began taking steps necessary for swift integration into the global monetary and financial system (GMFS). According to the country's leadership, this integration, in contrast to the economic autarky of the bipolar world, was to serve as a new strategic goal for international financial and economic relations. Between 1992 and 1996, Russia joined major international financial and credit organizations and liberalized its currency regulation, as this was one of the prerequisites for receiving international loans — a critical need for the country at the time. At the end of 1992, restrictions on the current account of the balance of payments were lifted in Russia, and by the summer of 2007, restrictions on capital account transactions were also removed.

In the second half of the 1990s, the process of Russia's integration into the GMFS accelerated with the entry of Russian borrowers into the international financial market. Simultaneously, foreign investors were granted the right to purchase Russian government debt securities

<sup>3</sup> In the context of this article, the term “paradigm” is used as a synonym for the words “model”, “sample” (from the Greek Paradeigma).

<sup>4</sup> According to the definition of the Department of International Financial Relations of the Ministry of Finance of the Russian Federation, “International financial relations are state policy and legal regulation in the sphere of financial relations of the Russian Federation with foreign countries, their associations, forums, groups, international financial institutions, international organizations, as well as in the sphere of participation of the Russian Federation in promoting international development.” URL: <https://minfin.gov.ru/ru/performance/international/>

<sup>1</sup> URL: <https://www.imf.org/en/Publications/GFSR/Issues/2023/04/11/global-financial-stability-report-april-2023>

<sup>2</sup> URL: <http://www.kremlin.ru/acts/bank/49090>

in the domestic financial market. From 1998 onward, Russia regularly participated in the G7, temporarily transforming it into the G8.

Following the global financial and economic crisis of 2008–2009, Russia, as part of the G20, joined other nations in reforming the existing GMFS, particularly as a member of the Financial Stability Board. In 2012, Russia became a member of the World Trade Organization, which was a natural outcome of its integration into the global economy and GMFS.

Thus, the paradigm of Russia's international financial relations from 1991 to 2014 was based on full acceptance of the rules set by the global hegemon — the United States. This paradigm could be conditionally termed the “Champagne Tower” Integration Paradigm” [10]. The growing dependency on the collective West at the expense of national interests, as well as the significant socio-political and financial-economic costs incurred from consistently fulfilling the requirements of international financial and credit organizations, were considered an unavoidable price for the opportunity to cooperate on equal terms with the leading countries of a unipolar world.

### **REASONS FOR THE FORMATION AND KEY CHARACTERISTICS OF RUSSIA'S NEW PARADIGM OF INTERNATIONAL FINANCIAL RELATIONS**

The formation of a new paradigm in Russia's international financial relations began in 2014, following the introduction of sanctions by the United States and its allies. Initially, these sanctions led to a decline in GDP, an increase in inflation, and a reduction in foreign trade volumes [11, p. 14]. The measures taken by the Russian leadership during this period aimed to stabilize the country's financial system by developing an independent domestic payment infrastructure.

In 2022, Russia faced extensive geopolitical risks. The Russian government and the Central Bank of Russia had to take urgent steps

to adapt the economy and financial system to the unprecedented sanctions pressure from the collective West.<sup>5</sup> The main goals of the sanctions policy included halting foreign investments entirely, freezing the foreign assets of Russian state-owned companies, encouraging “brain drain”, and exerting active pressure on Russian oligarchs [12]. The freezing of Russian assets abroad, the refusal of counterparties in unfriendly countries to process payments, and fears of secondary sanctions by foreign trade partners of Russian banks and companies had a profoundly negative impact on Russia's financial and economic situation.

To stabilize the financial system in 2022, the Central Bank of Russia implemented a series of measures, including easing regulations for financial market participants, increasing banking liquidity, imposing capital controls, and limiting stock market activities [13]. As a result, experts from the Bruegel thinktank, established in 2005 by EU countries, acknowledged that the Russian budget was not severely affected by the sanctions and that the effective actions of the Central Bank of Russia prevented financial instability and safeguarded the national economy [14]. Adaptation to the sanctions was achieved not only through prudent regulatory measures but also by enhancing the state's role as an investor, buyer, and producer of goods and services [15, p. 58].

The national payment infrastructure, developed since 2014, played a critical role in financial stabilization. It allowed regular payments and transactions to continue, including those involving cards of international payment systems that had ceased operations in Russia.

In December 2022, during a meeting of the Council for Strategic Development and National Projects, President Vladimir Putin identified one of the six key tasks for 2023 as “elevating inter-

<sup>5</sup> According to the Castellum.AI platform, as of 04.06.2024, the number of current restrictions against Russia amounted to 21,167. URL: <https://www.castellum.ai/russia-sanctions-dashboard>

actions with our key partners to a new level.<sup>6</sup> This goal entails strengthening traditional ties with friendly nations and seeking new international partners. Russia's foreign economic focus has shifted towards Asia, the Middle East, Latin America, and Africa. In the current environment, it has become increasingly vital to explore new forms of collaboration, establish supply and distribution channels, and develop alternative economic partnerships [16, p. 110].

Foreign trade turnover between Russia and friendly countries is gradually increasing. According to the acting head of the Federal Customs Service of Russia, R. Davydov, in 2023, about 75%<sup>7</sup> of Russian imports came from these countries. China leads by a significant margin,

followed by Turkey in second place. The share of imports from the countries of the Eurasian Economic Union (EAEU) is also growing. Conversely, the share of Europe in Russian imports has significantly decreased, with European goods being replaced by products from China, Turkey, the UAE, Iran, Azerbaijan, and the EAEU countries.

In the structure of Russian exports in 2023, the share of friendly Asian countries increased substantially (from 46% to 71%), while the share of Europe fell sharply (from 48% to 20%<sup>8</sup>). Alongside China, India has become one of the main importers of Russian products in Asia. The volume of exports to African countries increased significantly — by 54% — although their share in the total structure of Russian exports remains

<sup>6</sup> URL: <https://ria.ru/20221215/council-1838930361.html>

<sup>7</sup> URL: <https://iz.ru/1572451/irina-tcyruleva-roman-babenkov/import-v-tcelom-vyros-na-10>

<sup>8</sup> URL: <https://iz.ru/1605180/sofia-smirnova/tramplin-v-aziiu-raskryt-obem-rossiiskoi-vneshnei-torgovli-za-2023-god>

Table 1

**Currency composition of transfers for imports of goods and services  
by the Russian Federation by geographical zones, %**

Region	Transfers	January 2022	December 2023
Asia	In Russian rubles	19.8	24.0
	In currencies of unfriendly countries	68.0	20.5
	In other currencies	12.2	55.5
America	In Russian rubles	16.9	35.1
	In currencies of unfriendly countries	83.1	56.1
	In other currencies	0.0	8.8
Africa	In Russian rubles	2.8	48.1
	In currencies of unfriendly countries	91.6	33.1
	In other currencies	5.6	18.8
Europe	In Russian rubles	35.3	49.0
	In currencies of unfriendly countries	64.5	47.1
	In other currencies	0.2	3.9

Source: compiled by the authors according to data of Bank of Russia. URL: [https://www.cbr.ru/statistics/macro\\_itm/svs/#highlight](https://www.cbr.ru/statistics/macro_itm/svs/#highlight)

below 5%. African countries account for about 1% of Russian imports.

A notable feature of Russia's foreign trade under the pressure of external sanctions is the increase in barter transactions. Additionally, national currencies have been more actively used in intergovernmental settlements with friendly countries (see *Table 1*).

As shown in *Table 1*, during the specified period, the share of currencies from unfriendly countries in Russia's payment structure for imports of goods and services decreased on average by 2.4 times (from 76.8% to 31.7%). Conversely, the share of the Russian ruble increased on average by 2.1 times (from 18.7% to 39.0%).

Significant changes also occurred in the currency structure of revenues from the export of Russian goods and services between January 2022 and December 2023 (see *Table 2*).

As shown in *Table 2*, during the specified period, the share of currencies from unfriendly countries decreased on average by 2.5 times (from 82.5% to 32.6%). Europe moved from third to first place in terms of payments made in Russian rubles for goods and services imported from Russia. The significant increase in the share of the ruble was primarily driven by the requirement for unfriendly countries to pay for gas in Russian currency<sup>9</sup> starting April 1, 2022.

According to Russian Prime Minister Mikhail Mishustin, by the end of 2023, the share of national currencies in Russia's foreign trade settlements was expected to reach about 65%, and around 70% with key partner countries (according to Russian Finance Minister Anton Siluanov, by September 2023, the share of national currencies in trade between China and Russia exceeded 90%<sup>10</sup>). By 2030, it is anticipated that the share of national currencies in settlements with foreign countries will reach 80% or more.

<sup>9</sup> URL: <http://www.kremlin.ru/acts/bank/47699>

<sup>10</sup> URL: <https://www.vedomosti.ru/economics/news/2023/12/12/1010657-dolya-natsvalyut-torgovle-virastet>

In 2023, the trading volume of the Chinese yuan on the Moscow Exchange nearly tripled, with its share of the total spot foreign exchange trading volume reaching almost 42%, surpassing the U.S. dollar. The trading volume of the Turkish lira increased 17-fold (0.6%), the Kazakhstani tenge nearly six-fold (0.47%), and the Hong Kong dollar and Belarusian ruble almost doubled (0.09% and 0.06%, respectively<sup>11</sup>). New currency pairs, such as the Armenian dram, Kyrgyz som, Tajik somoni, Uzbek sum, and South African rand,<sup>12</sup> are being introduced. Over-the-counter trading volumes of the Indian rupee and UAE dirham have also increased.

According to Mishustin, entering new promising markets will require accelerated development of new infrastructure, logistics, and the simplification of customs procedures.<sup>13</sup> The country's leadership opposes isolationist policies, emphasizing that Russia remains open to investors and participants in global trade.

Under the new paradigm of international financial relations, Russian energy resources have been more actively supplied to China, India, African countries, and the Asia-Pacific region. New logistics connections have also been established. For example, Russian oil producers are directly negotiating with buyers from friendly countries, with prices calculated based on physical deliveries to the buyers' ports [17, p. 127].

In December 2022, the Strategy for the Development of the Financial Market of the Russian Federation Until 2030<sup>14</sup> was adopted. This strategy outlines key elements of the new paradigm of Russia's international financial relations and measures to enhance the com-

<sup>11</sup> URL: <https://www.vedomosti.ru/finance/news/2024/01/16/1015228-smi-dolya-torgov-yuanem>.

<sup>12</sup> URL: <https://www.moex.com/s10>

<sup>13</sup> URL: [https://minfin.gov.ru/ru/press-center/?id\\_4=38448-stenogramma\\_vystupleniya\\_predsedatelya\\_pravitelstva\\_rf\\_mikhaila\\_mishustina\\_na\\_sovmestnom\\_rasshirennom\\_zasedanii\\_kollegii\\_minfina\\_rossii\\_i\\_minekonomrazvitiya\\_rossii](https://minfin.gov.ru/ru/press-center/?id_4=38448-stenogramma_vystupleniya_predsedatelya_pravitelstva_rf_mikhaila_mishustina_na_sovmestnom_rasshirennom_zasedanii_kollegii_minfina_rossii_i_minekonomrazvitiya_rossii)

<sup>14</sup> URL: [https://www.consultant.ru/document/cons\\_doc\\_LAW\\_436693/](https://www.consultant.ru/document/cons_doc_LAW_436693/)



Table 2

**Currency structure of revenues from export of goods and services of  
the Russian Federation by geographical zones, %**

Region	Receipts	January 2022	December 2023
Asia	In Russian rubles	15.6	33.1
	In currencies of unfriendly countries	82.3	23.5
	In other currencies	2.1	43.4
America	In Russian rubles	12.4	35.2
	In currencies of unfriendly countries	87.6	62.4
	In other currencies	0.0	2.4
Africa	In Russian rubles	1.7	26.6
	In currencies of unfriendly countries	70.8	3.2
	In other currencies	27.5	70.2
Europe	In Russian rubles	10.7	49.0
	In currencies of unfriendly countries	89.3	41.5
	In other currencies	0.0	9.5

Source: compiled by the authors according to data provided by The Central Bank of the Russian Federation. URL: [https://www.cbr.ru/statistics/macro\\_itm/svs/#highlight](https://www.cbr.ru/statistics/macro_itm/svs/#highlight)

petitiveness of the Russian financial market. For instance, it proposes preferential tax regimes for non-residents who operate through Russian financial intermediaries and is developing a mechanism for their remote identification.

As part of further digitalization of financial and economic operations, the introduction and use of the digital ruble plays a significant role. This innovation enables cross-border payments outside the traditional currency settlement systems, bypassing the U.S.-controlled SWIFT. In March 2024, legislation was passed permitting the use of digital financial assets<sup>15</sup> (DFAs) in international settlements.

DFAs include “digital rights, encompassing monetary claims, rights under equity securities, participation rights in the capital of non-public joint-stock companies, and the right to demand the transfer of equity securities.”<sup>16</sup> This legislation aims to simplify foreign trade settlements between Russian companies and friendly countries under the sanctions regime. Thus, the new paradigm is shaping a payment and settlement mechanism immune to economic sanctions imposed by the U.S. and its allies.

The development of an independent national payment infrastructure will continue.

<sup>15</sup> URL: <http://www.kremlin.ru/acts/bank/50395>

<sup>16</sup> URL: <http://www.kremlin.ru/acts/bank/45766>

One of the priority areas is the expansion of cross-border operations and the enhancement of the financial information transmission system as an alternative to Western systems. For example, the project to integrate the Faster Payments System (FPS) with analogous systems in other countries (primarily within the EAEU) will proceed. Additionally, new countries and non-resident participants are expected to join the Russian financial messaging system. Plans are also underway to expand the use of the Mir payment cards beyond Russian borders.

Under the new paradigm of international financial relations, significant emphasis is placed on strengthening cooperation not only with friendly countries but also with international (regional) unions and institutions.

Despite increasing sanctions pressure, necessary measures are being taken to further integrate the Russian financial market with international markets and with the domestic financial markets of friendly countries. This includes conducting transactions using national currencies, developing long-term correspondent banking relationships, and fostering cooperation between respective exchange infrastructures. Special attention is being given to creating new payment and settlement mechanisms, ensuring the efficiency and reliability of investor rights accounting for securities issued and traded in the financial market, simplifying mutual access for investors and issuers to national financial markets, and mutually recognizing insurance and reinsurance coverage (including insurance support for commercial transactions<sup>17</sup>).

Thus, the new paradigm of Russia's international financial relations is based on ensuring financial and technological sovereignty, prioritizing national interests, increasing the attractiveness of the Russian financial market for foreign investors, and developing compre-

hensive international cooperation with friendly countries. It can be conditionally termed the "paradigm of a high-tech polycentric socio-sphere<sup>18</sup>", which envisions the harmonious co-existence of various subsystems and individual elements (countries and groups of countries) within a unified geographical framework.<sup>19</sup>

### KEY ISSUES AND RISKS ASSOCIATED WITH THE FORMATION OF RUSSIA'S NEW PARADIGM OF INTERNATIONAL FINANCIAL RELATIONS

It should be noted that the use of national currencies in bilateral international settlements and payments has certain objective limitations [18, p. 50]. One of these limitations is related to the mandatory maintenance of a foreign trade balance between two countries [19]. If one of the countries accumulates a low-liquidity currency that is rarely used for international payments and settlements and is difficult to spend in the country that issued it, an imbalance will inevitably arise, hindering the development of bilateral trade and economic cooperation.

For example, Russia has accumulated a significant volume of Indian rupees as a result of selling Russian oil. Strict foreign exchange control and regulation rules in the Indian financial market significantly limit the opportunities for potential foreign investors. In this situation, the joint search by partner countries for possible alternatives for using the national currency in the domestic financial market becomes crucial. To address the issue, the Reserve Bank of India, acting as the country's central bank, partially liberalized the rules for investing funds from accounts opened by foreign

<sup>17</sup> URL: [https://www.consultant.ru/document/cons\\_doc\\_LAW\\_436693/f62ee45faefd8e2a11d6d88941ac66824f848bc2/](https://www.consultant.ru/document/cons_doc_LAW_436693/f62ee45faefd8e2a11d6d88941ac66824f848bc2/)

<sup>18</sup> The sociosphere (from Latin *societas* — society and Greek *σφαῖρα* — sphere) is a part of the Earth's geosphere that includes humanity with its inherent social (including production) relations, as well as the part of the natural environment that has been mastered by humanity. URL: <https://old.bigenc.ru/geography/text/4245453>

<sup>19</sup> The geographical framework refers to the natural conditions of human existence on Earth that are involved in the sphere of human activity. URL: <https://bigenc.ru/c/geograficheskaia-sreda-ad68ca>



banks in Indian banks [20]. This allowed Russian investors to purchase corporate bonds (which had previously only been available in government bonds and treasury bills).

The formation of Russia's new paradigm of international financial relations is a profound transformational process that affects not only the fundamental foundations of the national economy but also the global system of governance, as these relations are inherently international and arise only through the process of international division of labor. It is important to emphasize that this transformation occurs under conditions of high uncertainty, as it is associated with the transformation of complex spatial systems whose functioning depends on a large number of factors.

When analyzing the risks associated with the formation of Russia's new paradigm of international financial relations, the primary criterion for assessing the significance of the risk was the achievement of the goal — transitioning from the “Champagne Tower” Integration Paradigm to the Paradigm of a High-tech Polycentric Sociosphere. This transition implies not only internal changes but also a transformation of the global system of governance (moving from a unipolar world to a multipolar one). Given the presence of several types of uncertainty (including that which acknowledges the internal variability of phenomena and cannot be reduced through further research), qualitative research methods were chosen for the risk assessment process. Risk identification was carried out through the creation of checklists using logical and analytical methods for systematizing the results of information analysis on the topic of the research. Risk analysis was conducted using the Ishikawa method (“fishbone diagram”) with the application of brainstorming techniques. The results of the analysis are presented graphically in the *figure*.

We have identified six groups of risk factors: political, economic, managerial, social, technological, and external. The external fac-

tors include unpredictable and uncontrollable natural and socio-economic phenomena and processes (natural and technological disasters, global financial-economic crises, etc.). The factors identified in each group are divided into levels based on their impact and the nature of their consequences (admissible, acceptable, and critical risks).

The analysis showed that, from the perspective of the potential realization of Russia's new paradigm of international financial relations, the most critical risks at present are political, economic, and technological, which should be given special attention during the development of strategic planning documents. It must be taken into account that the new paradigm of Russia's international financial relations will be shaped under the conditions of ongoing sanctions pressure and numerous restrictions from the collective West.

## CONCLUSION

The current state of the Russian economy (with a 3.6% GDP growth in 2023) has led even experts from unfriendly countries to acknowledge the ability of the Russian economy to continue functioning under sanctions [21]. Russia, with the largest territory and rich, diverse natural and climatic resources, should rely on its own vast reserves in its further development. It should maximize the potential of its national financial market while simultaneously seeking and creating alternative channels and mechanisms for international payments and settlements [22]. This will help minimize the risk of secondary sanctions for partners from friendly countries and accelerate the creation of a new international financial architecture that takes into account the interests of most countries in a multipolar world, in contrast to the current system focused solely on meeting the needs of the United States, which no longer corresponds to its status as the world hegemon but is striving at all costs to maintain its influence.

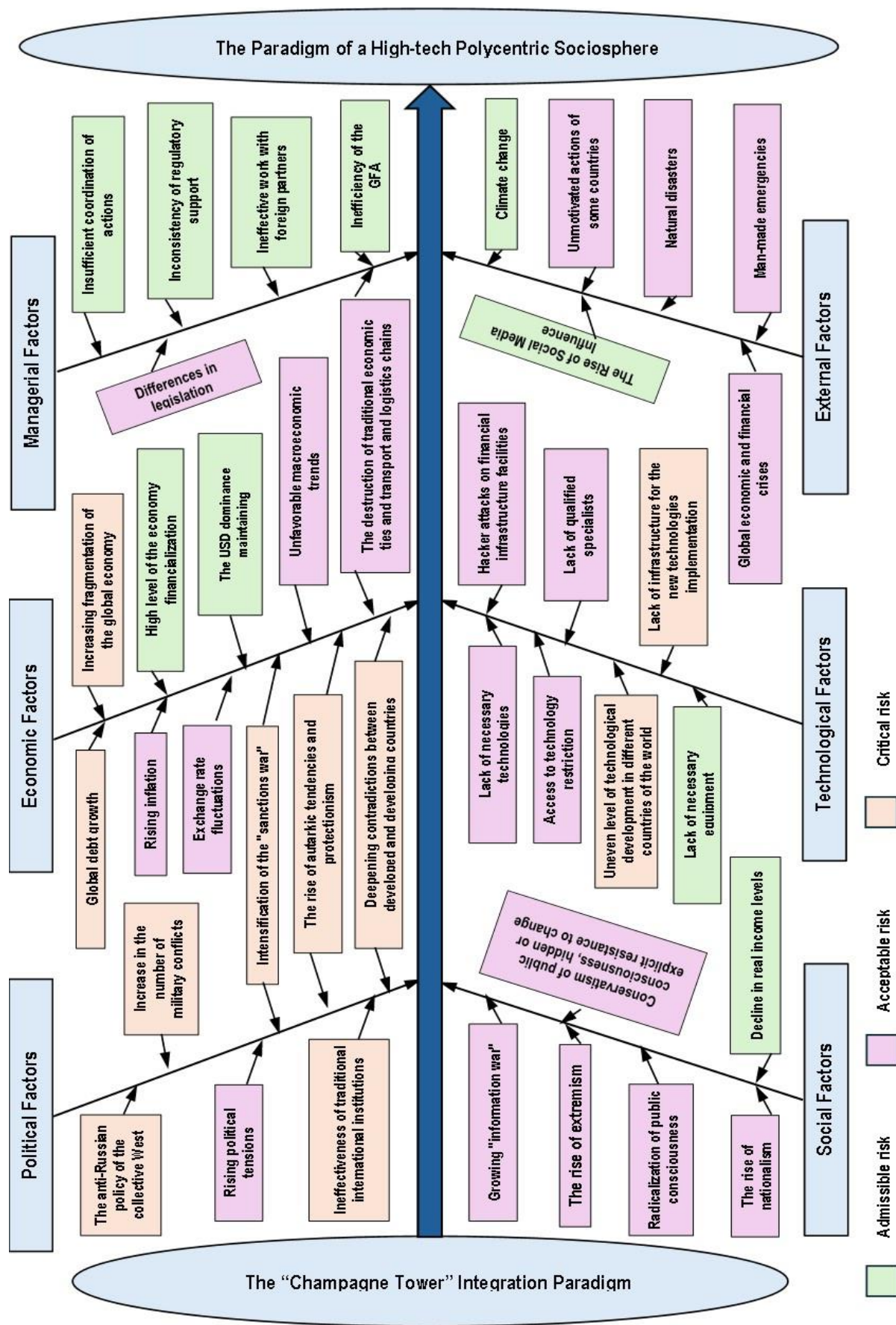


Fig. Risk factors' analysis in the formation of a new paradigm of Russia's international financial relations

Source: compiled by the authors.



The IMF structure, likened to a “champagne tower” filled with liquidity by the “chief bartender” in the form of the U.S. Federal Reserve, has proven to be an unreliable and unjust system, drawing numerous complaints from most members of the global community. The role of these countries in the global economic system is steadily increasing, providing them with the basis to actively assert their national interests. The United States’ attempt to retain its influence through the further tightening of sanctions and increased pressure paradoxically leads to the weakening, rather than strengthening, of the dollar as the primary global currency, which forms the foundation of U.S. global dominance.

The new paradigm of international financial relations being formed by Russia is primarily aimed at achieving the country’s financial and technological sovereignty, protecting its national interests, increasing the attractiveness of the Russian financial market for foreign investors, and ensuring balanced growth and sustainable development of the Russian economy. Although the ac-

tive restructuring of Russia’s international financial relations paradigm may be seen as a necessary measure to minimize the negative consequences of external sanctions and prevent attempts at total isolation and autarkic development, in our opinion, the events of recent years have merely acted as a catalyst for transformation processes that first became apparent after the global financial and economic crisis of 2008–2009, triggered by the collapse of the U.S. real estate market.

The Paradigm of a High-tech Polycentric Sociosphere envisions the creation of a more harmonious and stable global structure based on mutual respect for national interests and equal partnership. This model calls for the expansion of mutually beneficial international cooperation with friendly countries and the creation of innovative settlement and payment mechanisms based on the use of national currencies and/or new digital tools. Therefore, the active digitalization of the global economy and world finance will contribute to the successful implementation of this model.

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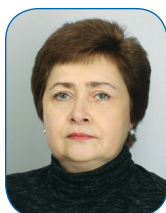


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